MAHIKENG LOCAL MUNICIPALITY

MAHIKENG

LOCAL MUNICIPALITY

Diversity. Culture . Heritage.

2018-19 to 2020-21

Draft Medium Term Revenue and Expenditure Framework

(MTREF)

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ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CM	City Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

1.MAYOR'S REPORT

It is my privilege to submit the 2018/2019 Medium term Revenue and Expenditure Framework (MTREF) budget to Council as prescribed by section 16 (2) of the MFMA.

As this budget constitutes the proposed financial plan for the next 3 financial years, it impacts on the community as a whole, consequently, a compulsory budget and IDP public participation will take place from April 2018 till the finalisation of the budget. Inputs and representations will be considered and the budget revised accordingly.

Council's strategic objectives of service delivery include the continuation of an acceptable level of services, as well as improvement in those areas still lacking. It would also always remain a strategic objective to contain service delivery within the affordability levels of the community.

The Municipality is the capital city of the North West Province, therefore, there is need to fulfil our responsibility to maintain the city clean and to welcome any support of all activities that will make the city viable. Council also acknowledges its immense responsibility towards our community needs, but, the strategically important role fulfilled by provincial administration as the main investor of the municipality. It is thus crucial to maintain our infrastructure to attract businesses and tourism.

To achieve the above, a balancing act is required between the set objectives and available financial resources together with a backlog in cash reserves, while taking into consideration the effect of tariff adjustments on the community as a whole, and the poor in particular. In addition, we have not escaped the downturn in the economy, which has had a considerable influence in Mahikeng, which will result in an increase in the number of registered indigent households.

The challenge is further to achieve more with our existing resources and to increase our productivity level. In other words we have to be smarter and more creative in our service delivery.

The Municipality will remain committed in the 2018-19 MTREF period to serve the residents of Mahikeng in accordance with our Municipal mandate.

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Cllr Betty Khutsafalo Diakanyo

Executive Mayor

2.COUNCIL RESOLUTIONS

The following resolutions were taken during Council meeting held on the 28th of March 2018 in relation to draft budget:

2.1. Cognizance be taken that there is a projected financial performance surplus of R115 million.
2.2. Cognizance be taken that there is a projected cash flow surplus of R 152 million at year end;
2.3. Cognizance be taken that there is a shortfall of R 77 million on the cash backed reserves and accumulated surplus reconciliation at year end;
2.4. Cognizance that the capital budget amounts to R 148 million;
2.5. The Council to note that there will be some revision that needs to be made in the following budget related policies:

- Tariff Policy
- Rates Policy
- Credit Control and Debt Collection Policy
- Borrowing Policy
- Funding and Reserves Policy
- Indigents Policy
- Virement Policy.

2.6. Cognizance be taken of the operations budget schedules and the capital budget schedules as presented.

2.7. Cognizance be taken of the tariff Schedules attached as presented.

2.8. Furthermore, the Council to note the 2018/19 MTREF, Tariffs and Budget related policies for tabling.
2.9. That Council delegate the Executive Mayor and Municipal Manager to write a letter to the Minister of Cooperate Governance and Traditional Affairs (COGTA) and National Department of Water and Sanitation to write-off historical debts of SEDIBENG which amounts to R240 million.

3.EXECUTIVE SUMMARY

The Budget and Treasury Office's core functional strategy is the provision of sound financial management services to the Municipality in a bid to ensure goal congruence with other Municipal directorates' in-order to achieve the ultimate Local Government mandate of effective service delivery. The Municipal budgeting process is a crucial process that influences the performance of the Municipality in achieving its key service delivery objectives. The budget is aligned to the strategic document of the municipality termed the Integrated Development Plan (IDP) 2018/19 – 2022/23, hence, an essential tool in ensuring key performance indicators and related targets are achieved efficiently and effectively. A healthy financial position, thus, strengthens the Municipality's ability to exceed the expectations of its community.

It is essential that the municipality embarks on a strategy to becoming a self-sustainable institution in the long term with minimal reliance on Government Grants and Subsidies. The 2018/19 MTREF budget is drafted on a backbone of extensive revenue enhancement and cost containment measures. Consideration is also focused on implementing best practices in the areas of asset and liability management. The Budget and Treasury office has prepared a revised 2018/19 MTREF Financial Plan aimed at addressing key revenue enhancement and cost containment initiatives to achieve sustainable growth in the foreseeable long term. The financial highlights of the 2018/19 MTREF Financial Plan outlined below are aligned to the Integrated Development Plan (IDP) 2018/19 – 2022/23 (five year IDP).

The Municipality finalized the first draft 2018/19 MTREF budget, the Integrated Development Plan and the Service Delivery and Budget Implementation Plan on the 28th of March 2018 and immediately made the documents public to initiate the public participation process which and currently undertaken through public meetings in all thirty five (35) wards.

The Municipality remains committed in the long term to provide sound strategic financial management in a bid to efficiently and effectively assist the Municipality achieve its core Municipal mandate of sound service delivery to the residents of Mahikeng.

The 2018/2019 budget is based on an expected average growth rate of 1.1% for all services which is the average Mahikeng population growth. The MTREF used the guidelines set by the Minister of Finance in his Medium-term Budget Policy Statement Speech as well as the guidelines in terms of MFMA Budget Circular 91 dated 07 March 2018 as issued by National Treasury. The inflation projection as set out in MFMA Budget Circular 91 is as follows:

Detail	2017-18 Estimate	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Consumer Price Inflation (CPI)	5.3%	5.3%	5.4%	5.5%
Real GDP growth	1.0%	1.5%	1.8%	2.1%

It is proposed that the property rate tariff be increased by 3% for 2018/2019 (5%:2020 6%:2021). The 3% increase (excluding government properties were a 0% increase is under effect since 2017-18) is conservative as revenue from property rates has been significantly increased due to the new market related property values determined through the new general valuation roll implemented from the 1st of July 2017. Thus, the 3% increase (as opposed to 6% in previous budget years) takes into account the

updated property values so as to create a balance between the increase in the rate randage and the increase in property values to ensure affordable rates are set that will not hinder economic growth.

The bulk water tariff set by Sedibeng Water Board has been finalised. Sedibeng Water Board indicated a tariff increase of 7.5%. The Municipality will increase water tariffs accordingly by 10%. The additional 2.5% is towards achieving cost reflective tariffs. The water tariff structure is designed to charge higher levels of consumption at a higher rate, steadily increasing to a rate of R19.84 (residential households) per kilolitre for consumption in excess of 30kℓ per billing period.

The cost of sewer maintenance is escalating due to ageing infrastructure. The sanitation tariff is proposed to increase by 6% for the 2018-19 MTREF. Engagements are currently undergoing with the Water Services Authority to ensure the water infrastructure network is in good operating condition.

The proposed tariff increase for rendering of refuse removal services and disposal services is 6%.The proposed tariff increase yielded a total revenue increase of 3%.

Sundry tariff increases will be limited, in most instances, to be within the CPI rate. A summary of the increases is contained later in this report. The exception to this is for rental income which is adjusted by 10% annually in accordance with the lease agreements.

Service delivery and the maintenance of council's infrastructure remains the priority. The repairs and maintenance budget will increase by 56% for the 2018-19 financial year to ensure that Municipal assets are effectively maintained. This significant increase is aimed at ensuring the Municipality achieves the MFMA circular 71 norm of 8% of repairs and maintenance costs to the carrying amount of the relevant identifiable assets.

The financial sustainability of the 2018/19 MTREF is significantly dependent on the collection level of billed income. Provision is made for a collection rate of 80%: 2019 (85%: 2020 90%: 2021).

The Capital Budget of R148 million for 2018/19 is 10% less when compared to the 2017/18 adjusted Budget. The Capital Budget is largely driven by projects emanating from the IDP and projects identified by the community as well as the backlog in basic services delivery.

In terms of Council's social commitment to assist the poorer communities in Mahikeng, provision was made for the supply of free basic services and social contributions to identified structures in Mahikeng.

All residential owners will continue to receive assessment rate exemption on the value of their residential property. The first R15 000 is exempted for assessment rates for residential properties. Various other grants on assessment rates, such as pensioners' rebate, rebate to low income people, properties zoned for religious purposes, will continue in the new financial year. In addition, residential properties with a value less than R 100 000 are exempted from property rates and taxes.

Council will continue with the supply of free basic water, refuse and sanitation to residents. All indigent residents receive 6Kl free of charge, free refuse and waste water management services. The following represents the level of basic services provided versus the DORA prescribed levels:

Level of free basic services in accordance with DORA

Expenditure item	Level provided	Level required to provide i.t.o. legislation - DORA
Electricity	R 62	R 81.62
Water	R 55.62	R 125.45
Sanitation	R 51.94	R 95.77
Refuse	R 190	R 80.28
Total per Month per Household	R 360	R 383.12

Currently 8% (1183 households out of 15 414 consumers) of the debtor consumers are registered as Indigent in the Municipal records ever since all indigents were deregistered in March 2016. A recent report by TransUnion revealed that there is an estimated 28 324 consumers that are indigent (14% of the total residents). The Municipality provides water and refuse services to peri-urban areas within the Mahikeng demarcation at a budgeted cost of over R 39.8 million: 2019 (R 43.1 million: 2020 R 46.8 million: 2021) (including free electricity for indigents).

Based on the 28 324 indigents pre-identified in the Mahikeng jurisdiction, 3 093 are urban dwellers and 25 231 are rural dwellers. The following financial figures represents the estimated total spending on indigent households:

2018-19 estimated cost of free basic services:

Category	Electricity	Water	Sanitation	Refuse
Rural	R 6 535 031	R 10 000 000	R.0.00	R 10 000 000
Urban	R 2 301 192	R 2 064 392	R 1 927 805	R 7 052 040
Total	R 8 836 223	R 12 064 392	R 1 927 805	R 17 052 040

Hence, a total amount of R 39.8 million: 2019 (R 43.1 million: 2020 R 46.8 million: 2021) is projected to be spent towards indigent support annually.

OPERATIONAL REVENUE FRAMEWORK

According to the Community Survey 2016, the population of Mahikeng has increased by an average of 1.17% annually to 314 000 individuals. A large portion of these residents are unemployed, which results in an increase in services and expenditure but not necessarily an increase in the income base of Council.

For Mahikeng Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that the municipality is faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy (MFMA Budget Circular 91);
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95% annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality

The following table summarises the total operational revenues and expenditure.

NW383 Mafikeng - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Total Revenue (excluding capital transfers and contributions)	867 027	917 200	981 571	1 056 197
Total Expenditure	806 038	801 787	845 085	901 764
Surplus/(Deficit)	60 989	115 413	136 486	154 433
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	62 288	60 004	61 230	64 624
Transfers and subsidies - capital (in-kind - all)				
Surplus/(Deficit) after capital transfers & contributions	123 277	175 417	197 716	219 057
Taxation				
Surplus/(Deficit) for the year	123 277	175 417	197 716	219 057

The following is the extract of the A4 budget schedule with the information pertaining to operational revenue, transfers and subsidies:

NW383 Mafikeng - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	142 190	173 379	182 201	216 981	284 850	284 850	284 850	293 396	308 066	326 549
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	80 029	98 470	107 301	119 106	163 074	163 074	163 074	179 382	197 320	217 052
Service charges - sanitation revenue	2	24 012	26 652	30 725	39 962	41 136	41 136	41 136	43 604	46 220	48 994
Service charges - refuse revenue	2	29 236	32 001	31 813	31 854	36 132	36 132	36 132	38 299	40 597	43 033
Service charges - other					5 954	5 954	5 954	5 954	6 312	6 753	7 294
Rental of facilities and equipment		1 059	5 254	5 899	10 320	10 320	10 320	10 320	11 352	12 487	13 736
Interest earned - external investments		1 783	1 671	1 052	1 878	2 648	2 648	2 648	2 807	2 975	3 154
Interest earned - outstanding debtors		41 624	52 228	73 157	65 808	66 182	66 182	66 182	70 153	74 362	78 823
Dividends received					-	-	-	-	-	-	-
Fines, penalties and forfeits		22 997	7 166	3 652	9 437	9 472	9 472	9 472	10 041	10 643	11 282
Licences and permits		4 537	3 831	3 049	3 694	3 904	3 904	3 904	4 139	4 387	4 650
Agency services					-	-	-	-	-	-	-
Transfers and subsidies		132 827	215 561	185 837	234 345	228 271	228 271	228 271	241 728	260 813	283 666
Other revenue	2	51 867	18 753	23 521	14 790	15 083	15 083	15 083	15 988	16 947	17 964
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		532 161	634 966	648 206	754 129	867 027	867 027	867 027	917 200	981 571	1 056 197

The table below depicts the percentage growth in revenue by main revenue source (revenue per source as a percentage of total revenue).

NW383 Mafikeng - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description		2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework					
R thousand		Audited Outcome	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Revenue By Source										
Property rates		182 201	284 850	33%	293 396	32%	308 066	31%	326 549	31%
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		107 301	163 074	19%	179 382	20%	197 320	20%	217 052	21%
Service charges - sanitation revenue		30 725	41 136	5%	43 604	5%	46 220	5%	48 994	5%
Service charges - refuse revenue		31 813	36 132	4%	38 299	4%	40 597	4%	43 033	4%
Service charges - other			5 954	1%	6 312	1%	6 753	1%	7 294	1%
Rental of facilities and equipment		5 899	10 320	1%	11 352	1%	12 487	1%	13 736	1%
Interest earned - external investments		1 052	2 648	0%	2 807	0%	2 975	0%	3 154	0%
Interest earned - outstanding debtors		73 157	66 182	8%	70 153	8%	74 362	8%	78 823	7%
Dividends received			–	-	–		–		–	
Fines, penalties and forfeits		3 652	9 472	1%	10 041	1%	10 643	1%	11 282	1%
Licences and permits		3 049	3 904	0%	4 139	0%	4 387	0%	4 650	0%
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		185 837	228 271	26%	241 728	26%	260 813	27%	283 666	27%
Other revenue		23 521	15 083	2%	15 988	2%	16 947	2%	17 964	2%
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		648 206	867 027	100%	917 200	100%	981 571	100%	1 056 197	100%
Total Revenue from Rates and Service Charges		352 040	531 146	61,3%	560 992	61,2%	598 956	61,0%	642 922	60,9%

In addition to the above table, the following table shows the percentage increase per revenue stream for the above stated budgeted financial years.

NW383 Mafikeng - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description		2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework					
R thousand		Audited Outcome	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Revenue By Source										
Property rates		182 201	284 850	56%	293 396	3%	308 066	5%	326 549	6%
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		107 301	163 074	52%	179 382	10%	197 320	10%	217 052	10%
Service charges - sanitation revenue		30 725	41 136	34%	43 604	6%	46 220	6%	48 994	6%
Service charges - refuse revenue		31 813	36 132	14%	38 299	6%	40 597	6%	43 033	6%
Service charges - other			5 954	100%	6 312	6%	6 753	7%	7 294	8%
Rental of facilities and equipment		5 899	10 320	75%	11 352	10%	12 487	10%	13 736	10%
Interest earned - external investments		1 052	2 648	152%	2 807	6%	2 975	6%	3 154	6%
Interest earned - outstanding debtors		73 157	66 182	-10%	70 153	6%	74 362	6%	78 823	6%
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		3 652	9 472	159%	10 041	6%	10 643	6%	11 282	6%
Licences and permits		3 049	3 904	28%	4 139	6%	4 387	6%	4 650	6%
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		185 837	228 271	23%	241 728	6%	260 813	8%	283 666	9%
Other revenue		23 521	15 083	-36%	15 988	6%	16 947	6%	17 964	6%
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		648 206	867 027	34%	917 200	6%	981 571	7%	1 056 197	8%
Total Revenue from Rates and Service Charges		352 040	531 146	51%	560 992	6%	598 956	7%	642 922	7%

4.PROPERTY ASSESSMENT RATES

4.1 Property rates taxes constitute the second largest source of Municipal revenue after Government Grants and Subsidies. A new general valuation roll was implemented as from the 1st of July 2017. Special consideration was made in the new general valuation roll to incorporate all urban and rural schools within the Mahikeng jurisdiction in addition to other newly established Government, residential and business properties. The new general valuation roll resulted in an increase in the total property values from the previous valuation roll of above R 5 billion rands which will ultimately result in a considerable increase in revenue from property rates taxes. As stated in MFMA Budget Circular 91, Municipal own revenue sources are shrinking due to widespread drought and households opting for alternative sources of energy. This means that more effort is required to maximise revenue derived from property rates.

Tariff	Tariff Increase 2017-18	Actual Growth Rate based on Adjusted Budget 2017-18	Anticipated Growth Rate 2018-19	Tariff Increase 2018-19	CPI for 2018-19
*Property Rates	6.4%	56.34%	3%	3%	5.3%

** This increase of 56.34% should be attributed to the aforementioned initiatives as contained in the 2017/18 MTREF Financial Plan and Revenue Enhancement Plan i.e. the new general valuation roll to be introduced in 2017/18 which is R 5 billion more in property values.*

Property rates schedule 2018-19 MTREF

PROPOSED SCHEDULE OF TARIFFS AND FEES WITH EFFECT FROM 1 JULY 2018
(RATES AND TAXES EXEMPT FROM VAT)

2018/19 Proposed Tariffs :Assesement Rates

Tariff Code	Category	Impermissible Value	Rebate %	Proposed 2018-19	% Increase
RATES FARMS	AFRFRM	R 0	0%	0,001961	3,00%
RATES FARMS	AGRRES	R 0	0%	0,001961	0,00%
RATES BUSINESS	BUSINE	R 0	0%	0,028071	0,00%
RATES CHURCHES	CHURCH	R 0	100%	0,028071	3,00%
RATES CRECHE	CRECHE	R 0	0%	0,028071	3,00%
RATES FARMS OUT	FARMS	R 0	0%	0,001961	3,00%
RATES GOVT BUSS	GOVBUS	R 0	0%	0,051520	0,00%
RATES GOVT OFFI	GOVOFF	R 0	0%	0,051520	0,00%
RATES GOVT PARK	GOVPRK	R 0	100%	0,051520	0,00%
RATES GOVT RES	GOVRES	R 0	0%	0,017170	0,00%
RATES GH 1-3 RO	GUEST1	R 0	25%	0,028071	3,00%
RATES GH 4-12 R	GUEST2	R 0	25%	0,028071	3,00%
RATES GH 13 ROO	GUEST3	R 0	0%	0,028071	3,00%
RATES INDIGENT	INDIG	R 0	100%	0,007614	0,00%
RATES INDUSTRIA	INDUST	R 0	0%	0,028071	3,00%
MUNICIPAL BUSIN	MUNICI	R 0	100%	0,054611	0,00%
MUNICIPAL PROPE	MUNBUS	R 0	100%	0,054611	0,00%
NON RATEABLE	NONRAT	R 0	0%	0,000000	0,00%
RATES PENSION	PENSIO	R 15 000	80%	0,007842	3,00%
RATES RDP HOUSE	RDP	R 15 000	100%	0,007614	0,00%
RATES FLATS	RESFLT	R 15 000	0%	0,007842	3,00%
RATES RESIDENTI	RESIDE	R 15 000	0%	0,007842	3,00%
RATES VACANT STAND	VAC	R 0	0%	0.02357	0,00%

The Municipality will introduce a separate tariff for vacant stands which has been determined at three times the rate on residential property (refer to the table above).

5.WATER SERVICES

5.1 The water tariffs for the 2018-19 MTREF were set in addition to the considerations below using guidance from MFMA Budget Circular 91 which prescribed improvement on demand management, infrastructure maintenance, loss management and meter reading. We aimed to ensure that tariffs charged are able to cover for the cost of bulk purchases, ongoing operations as well as provision for future infrastructure. A payment agreement to settle long outstanding invoices on bulk purchases was approved in December 2016 with Sedibeng Water Board.

5.2 MFMA Budget Circular 91 emphasises the importance of Water Conversation and Water Demand Management (WCWDM) concepts including control activities and reporting. The Municipality will incorporate the requirements into the revenue management business processes.

5.3 The provision of sustainable water services has become a significant National as well as International concern as safe drinking water is becoming a scarce resource due to national and global environmental aspects. It has become a paramount priority to promote the effective use of water to prevent wastage. The Municipality embarked on an extensive project to repair and replace faulty water meters in-order to prevent water loses through leakages and unaccounted for consumption. The maintenance of the water distribution network infrastructure including implementing automated water metering systems will aid in the efficient and effective water management function. The number of water consumption brackets according to the water tariffs schedule has been drastically reduced in a bid to promote water consumption saving and a simultaneous increase in revenue for “luxury” consumers.

5.4 According to the MTREF Financial and Revenue Enhancement Plan (paragraph 6.2.4) the municipality introduced a basic water charge for business properties at R 150 per property per month. This has resulted in an increase of R 97 500 per month (annualized to R 1.1 million per annum). The basic water charge was extended to all properties in the 2017-18 MTREF financial years with an expected income of R 9.4 million per annum. This practice will continue in the 2018-19 MTREF.

5.5 Ngaka Modiri Molema District Municipality

As mentioned in the paragraph above, the Municipality supplies indigent households in the rural areas with water and refuse services but not received to date the equitable allocation from the District Municipality. The costs of the water and refuse services based on the DORA prescribed amounts are as follows:

Category	Electricity	Water	Refuse	Total
Rural	R 6 535 031	R 10 000 000	R.0.00	R 10 000 000

Hence, the Local Municipality is expected to spend R 26 535 031 on indigent households in the rural areas and be reimbursed by the District Municipality.

5.6 The percentage increase for all water category tariffs is 10%. The additional fixed water tariff or availability tariff ensures that the Municipality recovers the full cost of providing water services. The related information is as follows:

Table 4

Tariff	Tariff Increase 2016-17	Growth Rate based on Adjusted Budget 2017-18	Anticipated Growth Rate 2018-19	Tariff Increase 2018-19	CPI for 2018-19
*Water Services	6.4%	36.92%	10%	10%	5.3%

**This increase of 36.92% should be attributed to the aforementioned initiatives as contained in the 2017/18 MTREF Financial Plan and Revenue Enhancement Plan i.e. installation of water meters and the introduction of a fixed water levy.*

Water tariff schedule 2018-19 MTREF

SCHEDULE OF TARIFFS AND FEES WITH EFFECT FROM 1 JULY 2018
(ALL TARIFFS ARE EXCLUDING VAT)

48. WATER TARIFFS

The Water Tariff comes into effect on those accounts (consumption) that are payable by 1 July 2018

TARIFF	DESCRIPTION			Proposed 2018/2019 COST PER KL R.c. 2017/2018	Proposed 2019/2020 COST PER KL R.c. 2018/2019	Proposed 2020/2021 COST PER KL R.c. 2018/2019
1.	MUNICIPAL			9,27	10,20	11,22
	Bassic water charge (Residential)			49,50	54,45	59,90
2.	DOMESTIC/ASLAAGTE					
2.1		0 - 06	Free Basic Water - Indigents Only	0,00	0,00	0,00
2.2		1 - 30		9,27	10,20	11,22
2,6	Over	30,1		19,84	21,83	24,01
3.	INDUSTRIAL					
3.1		0 - 300		14,18	15,60	17,16
3.2	Over	301 - 600		17,02	18,73	20,60
3.3	Over	601		28,04	30,84	33,93
4,4	**Basic water charge per month (industrial)**			174,90	192,39	211,63
4.	FLATS, BUSINESS AND ALL OTHER					
4.1		0 - 300		14,18	15,60	17,16
4.2	Over	301 - 600		17,02	18,73	20,60
4.3	Over	601		28,04	30,84	33,93
4,4	**Basic water charge per month (Businesses)**			174,90	192,39	211,63
6.	SPORTS CLUBS					
6.1		0 - 300		9,27	10,20	11,22
6.2	Over	301 - 600		9,93	10,92	12,01
6.3	Over	601		16,03	17,63	19,39

6.REFUSE REMOVAL SERVICES

6.1 A customer information audit was performed (termed completeness of billing tests) during February 2017. Significant findings were identified relating to all Municipal service charges that are currently being assessed to determine the financial impact of the losses incurred in terms of incorrect and incomplete billing. Corrective measures will be implemented and the financial impact reflected in the 2018-19 MTREF adjusted budget, hence, the current budget increase is based on historical increases and inflation.

6.2 The annual increase in the tariffs for refuse removal is 6% and the related information is as follows:

Tariff	Tariff Increase 2017-18	Growth Rate based on Adjusted Budget 2017-18	Anticipated Growth Rate 2018-19	Tariff Increase 2018-19	CPI for 2018-19
Refuse Removal Services	6.4%	13.43%	6%	6%	5.3%

**The anticipated growth rate for 2018/19 of 6% is based on the 2017/18 final adjustment budget.*

Refuse Removal Tariff Schedule 2018-19 MTREF

REFUSE BINS	REFUSE REMOVAL (per month)					
240ℓ Bins	Weekly	R 190		R 201		R 213
240ℓ Bins	Replacement Fee	Replacement cost + 10%		Replacement cost + 10%		Replacement cost + 10%
REFUSE REMOVAL (per month)						
COMMERCIAL						
Refuse Tariff						
(a)	Single Office, Tuckshops, Surgeries (excluding Medical Waste)	R 296		R 313		R 332
(b)	Banks, Clothing Shop, Place of Entertainment/Theatres, Hardware Stores;	R 516		R 547		R 580
(c)	Greengrocers, Cafes, Restaurant, Garages, Workshop, Spare Shops	R 739		R 783		R 830
(d)	Butcher	R 1 183		R 1 254		R 1 329
(e)	Shopping Complex:					
	North West Mall	R 22 160		R 23 490		R 24 899
	MegaCity	R 22 160		R 23 490		R 24 899
	Plaza Center	R 14 774		R 15 661		R 16 600
	Station Boulevard	R 14 774		R 15 661		R 16 600
	Mafikeng Market Square	R 10 343		R 10 964		R 11 622
	Game / Molopo Center	R 7 684		R 8 145		R 8 634
	No. of shops as per applicable tariffs [per 29 (a) to (d)]					
(f)	Garona	R 30 730		R 32 574		R 34 529
(g)	Rooigrond Prison	R 11 819		R 12 528		R 13 280
Big Business - Refuse Room/Plastic Bags						
(a)	Wet Refuse (Wholesalers and Industrial)	R 4 432		R 4 698		R 4 980
(b)	Daily including Saturday & Sunday (Hotels, Boarding Institutions) + Hospitals	R 6 795		R 7 202		R 7 634
(c)	Guest Houses (Charge Business Tariff)					
	Guest House up to 3 Rooms	R 296		R 313		R 332
	Guest House up to 12 Rooms	R 619		R 656		R 696
	Guest 13 Rooms and above	R 1 035		R 1 097		R 1 162
(d)	Hospitals					
Bulk Container - Trade Refuse (6m³)						
Once a week removal per 6m³ container		R 591		R 627		R 665
Removal on request per 6m³ container and residential		R 504		R 534		R 566
Removal by Truck on request (excluding builders' rubble)		R 1 241		R 1 316		R 1 395
[Condemned food stuffs (per removal)]		R 1 477		R 1 565		R 1 659
Household						
Domestic	Twice a week removal (Replaced by 240L two wheeler bin)	R 190		R 201		R 213
Number of Flats per establishment		R 131		R 139		R 148
240ℓ Bins (new)		R 201		R 213		R 226
Old Age Homes		R 296		R 313		R 332
Refuse Removal on request						
Garden Refuse (Residential) per Load or Part thereof		R 1 026		R 1 088		R 1 153
Builders' Rubble per Load or Part thereof		R 3 646		R 3 865		R 4 097
Forced Removal						
Builders' rubble per Load or Part thereof		R 5 765		R 6 111		R 6 478
+ Cleansing of Vacant Site		R 8 863	per/LDV	R 9 394	per/LDV	R 9 958
If both occurs on site		R 11 451		R 12 138		R 12 867
Removal of Dead Animal		R 1 039		R 1 101		R 1 167
Daily Removal						
Government Building		R 10 638		R 11 276		R 11 953
Municipal		R 10 638		R 11 276		R 11 953
International School		R 7 386		R 7 829		R 8 299
University/Nurses Training College		R 7 386		R 7 829		R 8 299
Hostels (University)		R 6 795		R 7 202		R 7 634
Schools		R 458		R 485		R 515
REFUSE DISPOSAL SITE						
(Per stand per month)						
Other Specified Properties						
SANDF Village		R 163		R 173		R 163,00

7.WASTE WATER TREATMENT/SEWERAGE SERVICES

7.1 A customer information audit was performed (termed completeness of billing tests) during February 2017. Significant findings were identified relating to all Municipal service charges that are currently being assessed to determine the financial impact of the losses incurred in terms of incorrect and incomplete billing. Corrective measures will be implemented and the financial impact reflected in the 2017-18 MTREF adjusted budget, hence, the current budget increase is based on historical increases and inflation.

7.2 The annual increase in the tariffs for waste water treatment is 6% and the related information is as follows:

Tariff	Tariff Increase 2017-18	Growth Rate based on Adjusted Budget 2017-18	Anticipated Growth Rate 2018-19	Tariff Increase 2018-19	CPI for 2018-19
Waste Water Management	6.4%	2.94%	6%	6%	5.3%

**The anticipated growth rate for 2018/19 of 6% is based on the 2017/18 final adjustment budget.*

Waste Water Treatment Tariff Schedule 2018-19 MTREF

		Proposed 2018/2019	Proposed 2019/2020	Proposed 2020/2021
40.	SEWERAGE TARIFF			
	This is raised annually, but for consumers convenience it will appear on the account monthly. If unpaid, it will be handed over with outstanding Rates. This will be charged and must be paid on Clearance Certificates.			
	In respect of every lot zoned, or used for price residential purposes only, whether occupied or not-			
	RESIDENTIAL (ERF AREA M²) PER MONTH			
	No. of flats per establishment			
	Up to - 400	R 51,94	R 59,73	R63,31
	401 - 800	R 104,94	R 120,68	R127,92
	801 - 1200	R 203,52	R 234,05	R248,09
	1201 - 1600	R 228,96	R 263,30	R279,10
	1601 - 2400	R 309,52	R 355,95	R377,30
	2401	R 362,52	R 416,90	R441,91
	Guest House up to 3 Rooms	R 400,68	R 460,78	R488,43
	Guest House 12 Rooms	R 799,24	R 919,13	R974,27
	Guest House 13 +	R 1 178,72	R 1 355,53	R1 436,86
	In respect of every lot zoned or used, for purposes other than for Private residential purposes, whether occupied or not, excluding those properties mentioned below excluding the use as flats.			
	Upto - 800	R 799,24	R 919,13	R974,27
	801 - 1600	R 999,58	R 1 149,52	R1 218,49
	1601 - 2400	R 1 126,78	R 1 295,80	R1 373,54
	2401 - 3200	R 1 362,10	R 1 566,42	R1 660,40
	3201 - 4000	R 1 492,48	R 1 716,35	R1 819,33
	4001 - 5000	R 2 061,70	R 2 370,96	R2 513,21
	5001 - 6000	R 2 630,92	R 3 025,56	R3 207,09
	For stands having an area in excess of 4000m² in extent the basic is to be calculated at R406+VAT, for every 1000m² or part thereof by which the lot is greater than 4000m² to a maximum charge of R1 800.00 + VAT.			
	Other Properties:			
	Victoria / Bophelong Hospital (Mafikeng Hospital)	R 118 810,10	R 136 631,62	R144 829,51
	S.A.N.D.F.	R 48 527,86	R 55 807,04	R59 155,46
	Crossing / Megacity / Mafikeng Mall / NW Mall	R 24 429,82	R 28 094,29	R29 779,95
	Garona / New Health Building	R 24 429,82	R 28 094,29	R29 779,95
	Abattoir	R 24 098,04	R 27 712,75	R29 375,51
	Agricentre/Borekelong House/Energy Centre/Justice Building/Motswedi House/Population Centre/Sassa	R 16 733,16	R 19 243,13	R20 397,72
	Peermont Hotel / Protea Hotel	R 16 733,16	R 19 243,13	R20 397,72
	Choppies Centre / Molopo Centre / Plaza Estates / Shoprite / Station Road Boulevard	R 11 379,10	R 13 085,97	R13 871,12

8.GOVERNMENT GRANTS AND SUBSIDIES

8.1 Government grants and subsidies currently constitute 33% of the total Municipal revenue for the 2018-19 MTREF projected figures. This verifies conclusively that the Municipality's dependency on Government Grants and Subsidies is increasing annually but has not surpassed the 50% norm were it will be evaluated as mainly relying on government grants and subsidies for operations. Organic growth towards self-sustainability is greatly driven by the Municipal revenue enhancement activities. Since the ultimate objective is to increase revenue generated from internal sources, thus, reduce dependency on National Transfers and Subsidies, the revenue enhancement strategy will become part of the blueprint of the Municipality's goal to long term financial self-sustainability. The Division of Revenue Act has allocated in total R 301 million (2018/19), R 322 million (2019/20) and R 348 million (2020/21) in Government grants and subsidies to the Municipality.

DORA 2017-18 MTREF Allocations to the Municipality
(Bill published in Government Gazette No. 41432 of 9 February 2018)

Extract of SA18 Operating Transfers and Grant Receipts

NW383 Mafikeng - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		132 157	213 906	183 872	213 385	213 385	213 385	239 928	259 013	281 866
Local Government Equitable Share		127 332	208 645	178 390	198 796	198 796	198 796	226 626	252 333	274 754
Finance Management		1 600	1 675	1 810	2 145	2 145	2 145	2 215	2 680	3 112
EPWP Incentive		2 291	2 646	3 672	6 444	6 444	6 444	5 063		
Energy Efficiency and Demand Management		934	–		6 000	6 000	6 000	6 024	4 000	4 000
Municipal Systems Improvement			940							
Other transfers/grants [insert description]										
Provincial Government:		670	1 655	1 965	20 960	20 960	20 960	1 800	1 800	1 800
Sport and Recreation		670	1 655	1 965	1 800	1 800	1 800	1 800	1 800	1 800
Provincial Infrastructure Grant					19 160	19 160	19 160			
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	132 827	215 561	185 837	234 345	234 345	234 345	241 728	260 813	283 666
Capital Transfers and Grants										
National Government:		49 710	62 316	89 343	62 288	62 288	62 288	60 004	61 230	64 624
Municipal Infrastructure Grant (MIG)		46 801	59 184	89 343	62 288	62 288	62 288	60 004	61 230	64 624
Energy Efficiency and Demand Management		2 909	3 132							
Provincial Government:		–	1 449	1 972	3 000	–	–	–	–	–
Firestation Grant			1 449	1 972	3 000	–	–			
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	10 621	2 869	–	–	–	–	–	–
Provincial Infrastructure Grant			10 621	2 869						
Total Capital Transfers and Grants	5	49 710	74 386	94 183	65 288	62 288	62 288	60 004	61 230	64 624
TOTAL RECEIPTS OF TRANSFERS & GRANTS		182 537	289 947	280 020	299 633	296 633	296 633	301 732	322 043	348 290

OTHER REVENUE SOURCES

9.Immovable Property

9.1 The Municipality is in possession of immovable assets termed investment property as the properties are currently held for capital appreciation and rental purposes. The 2018/19 MTREF Financial Plan outlines various initiatives aimed at ensuring the utilization of the aforementioned properties to get the best value for money and increase the Municipal revenue base. The total current market value of all the investment property is R 116.6 million and an estimated return of investment of 7% to 10% targeted in the MTREF.

9.2 The Municipal immovable property constitutes the largest asset category in terms of monetary value and service delivery tool. All the basic services provided by the Municipality require the use of immovable property. The Municipality implemented for the 2018-19 MTREF budgeting process the requirements of MFMA circular 77 for Infrastructure Procurement and Delivery Management to prepare the procurement plans for infrastructure assets.

10. Other Potential Revenue Sources

10.1 Additional revenue sources are being investigated by the Budget and Treasury Office. This process requires extensive research into the City and determines the current and future needs of the community and how the needs are currently being satisfied. Possible revenue sources (list not exhaustive) to be investigated include childcare facilities, air pollution levies, additional property categories for property rates purposes (i.e. vacant land), leasing of farming land, leasing sub-stations land to Eskom and provision of electricity services.

EXPENDITURE FRAMEWORK

11. Introduction

Expenditure management is essentially critical for the achievement of the Municipality's mandate of Service Delivery. The primary focus areas for the 2017-18 MTREF budget on expenditure will be on expenditure that directly and indirectly affect the provision of Municipal Services with the ultimate aim of attaining value for money. The level of expenditure budgeted for will be aligned to the available funding and contingency planning will be factored into the budgeting process.

The Mahikeng Local Municipality expenditure framework for the 2018/2019 budget and MTREF is informed by the following:

- The asset renewal and the repairs and maintenance requirements as identified in the backlog study.
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing, uncommitted, cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term, as informed by Section 18 and 19 of the MFMA.
- The capital programme is aligned to the asset renewal needs and backlog eradication goals.
- Strict adherence to the principle of no project plans no budget. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2018/2019 budget and MTREF (classified per main type of operating expenditure

Table: Summary of Operating Expenditure by Standard Classification item (Table A4)

NW383 Mafikeng - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Expenditure By Type											
Employee related costs	2	200 299	243 880	267 959	249 345	249 345	249 345	249 345	266 800	285 476	305 458
Remuneration of councillors		19 340	22 156	18 813	22 591	25 048	25 048	25 048	26 301	27 616	28 997
Debt impairment	3	158 100	156 157	183 271	136 357	136 357	136 357	136 357	143 175	151 765	175 458
Depreciation & asset impairment	2	163 275	100 731	79 069	97 588	97 588	97 588	97 588	100 515	104 536	109 649
Finance charges		6 764	9 686	21 240	2 507	3 631	3 631	3 631	3 958	4 116	4 116
Bulk purchases	2	78 557	65 682	85 270	77 558	77 558	77 558	77 558	83 374	88 987	89 796
Other materials	8	17 348	28 383	16 022	3 100	5 820	5 820	5 820	3 100	4 500	5 250
Contracted services		23 724	31 581	23 629	44 759	83 713	83 713	83 713	44 759	46 996	49 346
Transfers and subsidies		–	–	–	–	1 926	1 926	1 926	1 000	1 000	1 000
Other expenditure	4, 5	112 694	109 153	123 959	90 968	125 053	125 053	125 053	128 805	130 093	132 695
Loss on disposal of PPE		593	314	99							
Total Expenditure		780 694	767 723	819 331	724 771	806 038	806 038	806 038	801 787	845 085	901 764

12. Employee and Councillor Remuneration

12.1 Employee related a cost has escalated by 7% taking into consideration the intended staffs compliment to be achieved in the new financial year. The purpose of the funds(escalation) provided is to accommodate all the vacant posts that has not been filled over the years as well as additional personnel as per job description and evaluation that is expected to be finished before commencement of 2018/2019 financial year.

12.2 A Detailed analysis is supplied with the discussion regarding employee related costs as set out in MBRR Tables SA22 - 24 in this document.

12.3 The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the metro's budget. An increase of 6% has been provided in the 2018/19 financial year.

12.4 The South African Local Government Bargaining Council entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The preparation of the 2018/19 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:

2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent, being 7.36%.however the salary budget for 2018/2019 increased by 7%.

Employee Related Cost Breakdowns: SA22 Extract

NW383 Mafikeng - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
	1	A	B	C	D	E	F	G	H	I
Senior Managers of the Municipality	2									
Basic Salaries and Wages		4 396	1 837	4 554	6 768	6 768	6 768	8 072	8 434	9 024
Pension and UIF Contributions					–	–	–	–	–	–
Medical Aid Contributions					–	–	–	–	–	–
Overtime					–	–	–	–	–	–
Performance Bonus					–	–	–	–	–	–
Motor Vehicle Allowance	3	400	630	1 253	616	616	616	660	768	822
Cellphone Allowance	3				–	–	–	–	–	–
Housing Allowances	3				–	–	–	–	–	–
Other benefits and allowances	3	541	201	1 721	1 394	1 394	1 394	1 491	1 737	1 858
Payments in lieu of leave								–	–	–
Long service awards								–	–	–
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		5 337	2 668	7 528	8 779	8 779	8 779	10 223	10 939	11 705
% increase	4		(50,0%)	182,1%	16,6%	–	–	16,5%	7,0%	7,0%
Other Municipal Staff										
Basic Salaries and Wages		150 274	164 652	220 325	185 115	185 115	185 115	198 073	211 939	226 774
Pension and UIF Contributions		11 694	29 665	16 704	19 975	19 975	19 975	21 373	22 870	24 470
Medical Aid Contributions		7 084	7 061	11 481	8 374	8 374	8 374	8 960	9 588	10 259
Overtime		6 239	6 064	13 984	7 524	7 524	7 524	8 050	8 614	9 217
Performance Bonus		7 742	7 139	23 876	7 312	7 312	7 312	7 824	8 372	8 958
Motor Vehicle Allowance	3	5 475	6 860	84	5 533	5 533	5 533	5 920	6 334	6 778
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	930	1 222	626	798	798	798	854	914	978
Other benefits and allowances	3	–	792	792	371	371	371	397	425	455
Payments in lieu of leave		4 136	(1 445)	3 538	–	–	–	–	–	–
Long service awards					–	–	–	–	–	–
Post-retirement benefit obligations	6	6 724	21 871	(23 451)	5 564	5 564	5 564	5 954	6 370	6 816
Sub Total - Other Municipal Staff		200 299	243 880	267 959	240 566	240 566	240 566	257 406	275 424	294 704
% increase	4		21,8%	9,9%	(10,2%)	–	–	7,0%	7,0%	7,0%
Total Parent Municipality		224 976	268 704	294 299	271 936	274 393	274 393	293 930	313 979	335 405
			19,4%	9,5%	(7,6%)	0,9%	–	7,1%	6,8%	6,8%
TOTAL SALARY, ALLOWANCES & BENEFITS		224 976	268 704	294 299	271 936	274 393	274 393	293 930	313 979	335 405
% increase	4		19,4%	9,5%	(7,6%)	0,9%	–	7,1%	6,8%	6,8%
TOTAL MANAGERS AND STAFF	5,7	205 636	246 548	275 486	249 345	249 345	249 345	267 629	286 363	306 409

Remuneration of Councillors Breakdown: Extract SA22

NW383 Mafikeng - Supporting Table SA22 Summary councillor and staff benefits										
Summary of Employee and Councillor remuneration	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		14 527	16 642	14 131	16 970	18 815	18 815	19 756	20 744	21 781
Pension and UIF Contributions		2 194	2 513	2 134	2 563	2 842	2 842	2 984	3 133	3 290
Medical Aid Contributions		337	386	328	394	437	437	458	481	505
Motor Vehicle Allowance		1 911	2 190	1 859		–	–	–	–	–
Cellphone Allowance		370	424	360		–	–	–	–	–
Housing Allowances					2 233	2 476	2 476	2 599	2 729	2 866
Other benefits and allowances					432	479	479	503	529	555
Sub Total - Councillors		19 340	22 156	18 813	22 591	25 048	25 048	26 301	27 616	28 997
% increase	4		14,6%	(15,1%)	20,1%	10,9%	–	5,0%	5,0%	5,0%

13. Provision for Bad Debt

The provision of debt impairment was determined based on an annual collection rate of 80% (2018-19) and the principles as set out in the Provision for Doubtful Debt and Debt Write-off Policy. For the 2017/18 financial year this amount equates to R136 million and escalates to R143 million by 2018/19.

14. Depreciation and Impairment

Provision for depreciation and asset impairment has been informed by the municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate that asset are consumed. Budget appropriations in this regard total R100 million for the 2018/19 financial year.

15. Interest on Borrowings

Interest on External Loans and Borrowings reflects an increase from R3.6 million in 2017/18 to R4.1 million in the 2018/19. This is due to the 3 loans the municipality has with external institutions; the average interest on the loans is calculated based on the estimated rate of 9% per annum.

16. Bulk Purchases

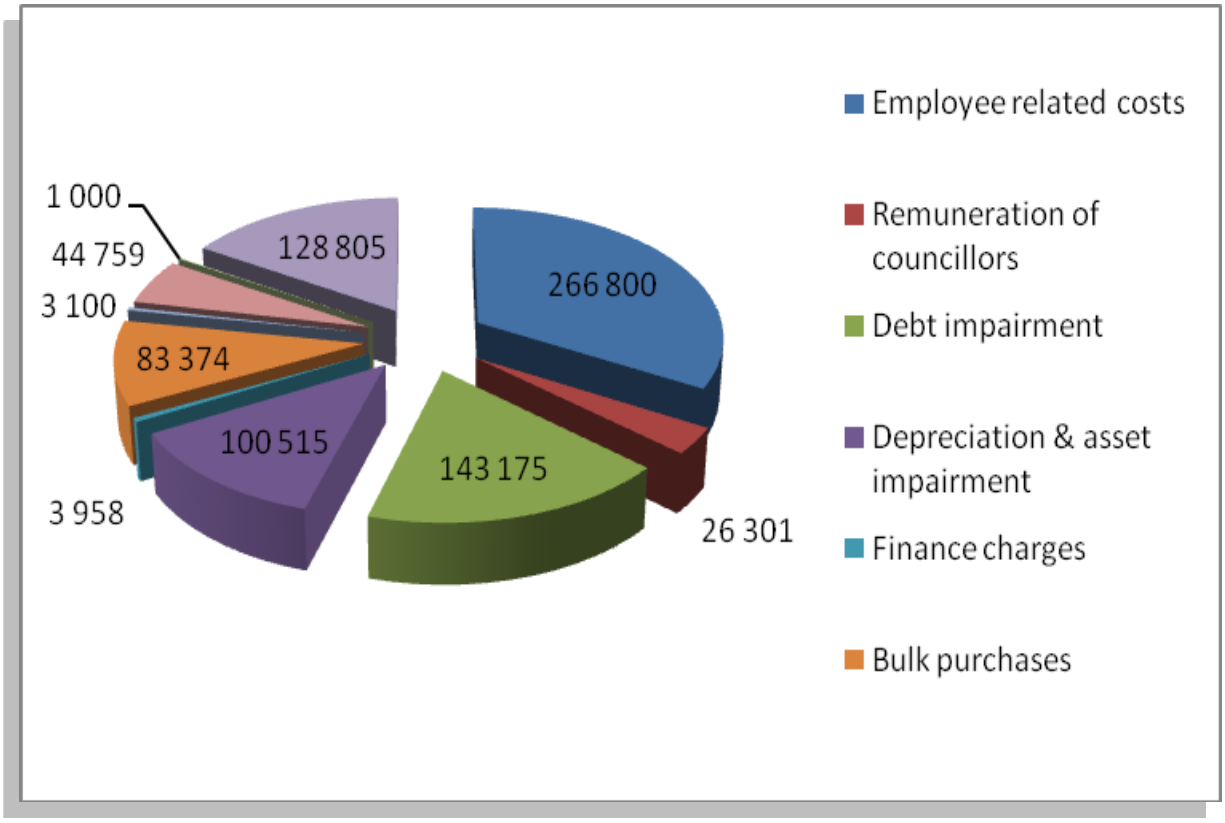
Bulk purchases are directly informed by the purchase of water from Sedibeng Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The Water Board increased the cost per KL by 7.5%.

17. Repairs and Maintenance

17.1 Repairs and Maintenance comprise of, amongst others, the purchase of materials for maintenance, staff cost of dedicated maintenance personnel and the appointment of external contractors to perform maintenance works. In line with the Mahikeng local municipality repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Mahikeng local municipality infrastructure. For 2018/2019 the appropriation against this group of expenditure is R48 million.

17.2 Aligned to the priority given to preserving and maintaining the Mahikeng local municipality current infrastructure, the 2018/2019 budget and MTREF provide for growth in the area of asset maintenance, as informed by the asset renewal and repairs and maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. The following table is extracted from MBRR Table SA1 to reflect the amount provided for repairs and maintenance in context with the amounts provided for PPE, depreciation and the renewal of assets.

The following graph gives a breakdown of the main expenditure categories for the 2018/2019 Budget.



Extract Table Repairs and Maintenance (A1)

NW383 Mafikeng - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Asset management										
Asset register summary (WDV)	2 234 763	2 425 509	–	1 987 649	1 987 649	1 987 649		1 274 877	1 287 626	1 300 503
Depreciation	88 582	90 004	79 053	94 248	94 248	94 248		100 515	104 536	109 649
Renewal of Existing Assets	–	–	–	–	–	–		11 138	41 910	33 410
Repairs and Maintenance	17 348	28 383	16 022	22 100	31 140	31 140		48 450	49 904	51 401

The table below provides a breakdown of repairs and maintenance in relation to asset class as summarised from MBRR SA34c

NW383 Mafikeng - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		(3 315)	6 236	6 862	15 957	24 857	24 857	29 589	32 600	33 577
Roads Infrastructure		(3 315)	6 236	6 862	6 236	15 136	15 136	10 161	10 043	10 344
Roads		(3 315)	6 236	6 862	6 236	15 136	15 136	9 454	10 043	10 344
Road Structures										
Road Furniture								707		
Capital Spares										
Storm water Infrastructure		–	–	–	–	–	–	1 150	9 270	9 548
Drainage Collection								1 150	9 270	9 548
Storm water Conveyance										
Attenuation										
Electrical Infrastructure		–	–	–	–	–	–	1 425	–	–
Power Plants										
HV Substations										
HV Switching Station										
HV Transmission Conductors										
MV Substations										
MV Switching Stations										
MV Networks										
LV Networks								1 425		
Capital Spares										
Water Supply Infrastructure		–	–	–	9 721	9 721	9 721	5 191	1 442	1 485
Dams and Weirs						–	–			
Boreholes						–	–	250		
Reservoirs						–	–			
Pump Stations						–	–			
Water Treatment Works					9 721	9 721	9 721	1 400	1 442	1 485
Bulk Mains						–	–			
Distribution						–	–	2 931		
Distribution Points						–	–	610		
PRV Stations						–	–			
Capital Spares						–	–			
Sanitation Infrastructure		–	–	–	–	–	–	3 662	3 605	3 713
Pump Station								–	3 605	3 713
Reticulation								2 045		
Waste Water Treatment Works								1 500		
Outfall Sewers								117		
Toilet Facilities										
Capital Spares										
Solid Waste Infrastructure		–	–	–	–	–	–	8 000	8 240	8 487
Landfill Sites								8 000	8 240	8 487
Waste Transfer Stations										
Waste Processing Facilities										
Waste Drop-off Points										
Waste Separation Facilities										
Electricity Generation Facilities										
Capital Spares										
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Rail Lines										
Rail Structures										
Rail Furniture										

NW383 Mafikeng - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		(3 315)	6 236	6 862	15 957	24 857	24 857	29 589	32 600	33 577
Drainage Collection										
Storm water Conveyance										
Attenuation										
MV Substations										
LV Networks										
Capital Spares										
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Sand Pumps										
Piers										
Revetments										
Promenades										
Capital Spares										
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Data Centres										
Core Layers										
Distribution Layers										
Capital Spares										
Community Assets		7 800	13 136	1 200	–	–	–	6 132	5 459	5 623
Community Facilities		7 800	13 136	1 200	–	–	–	6 132	5 459	5 623
Halls				1 200				930	3 296	3 395
Centres										
Crèches										
Clinics/Care Centres										
Fire/Ambulance Stations								434		
Testing Stations								659		
Museums								746		
Galleries										
Theatres										
Libraries								411		
Cemeteries/Crematoria								2 100	2 163	2 228
Police										
Parks								852		
Public Open Space		7 800	13 136							
Nature Reserves										
Public Ablution Facilities										
Markets										
Stalls										
Abattoirs										
Airports										
Taxi Ranks/Bus Terminals										
Capital Spares										
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Indoor Facilities										
Outdoor Facilities										
Capital Spares		-	-	-	-	-	-	-	-	-
Heritage assets		–	–	–	–	–	–	–	–	–
Monuments										
Historic Buildings										
Works of Art										
Conservation Areas										
Other Heritage										
Investment properties		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Improved Property										
Unimproved Property										
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Improved Property										

NW383 Mafikeng - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repairs and maintenance expenditure by Asset Class/Sub-class										
Unimproved Property										
Other assets		9 814	6 115	4 950	3 247	3 277	3 277	5 304	10 609	10 927
Operational Buildings		9 814	4 953	3 650	3 247	3 247	3 247	5 205	8 755	9 018
Municipal Offices		3 505	1 706					3 271	8 755	9 018
Pay/Enquiry Points										
Building Plan Offices								865		
Workshops		6 308	3 247	3 650	3 247	3 247	3 247			
Yards								75		
Stores								994		
Laboratories										
Training Centres										
Manufacturing Plant										
Depots										
Capital Spares										
Housing		–	1 162	1 300	–	29	29	99	1 854	1 910
Staff Housing			1 162	1 300		29	29	99	1 854	1 910
Social Housing										
Capital Spares										
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Biological or Cultivated Assets										
Intangible Assets		–	–	–	–	–	–	577	–	–
Servitudes										
Licences and Rights		–	–	–	–	–	–	577	–	–
Water Rights										
Effluent Licenses										
Solid Waste Licenses										
Computer Software and Applications								577		
Load Settlement Software Applications										
Unspecified										
Computer Equipment		1 179	1 701	1 800	–	111	111	1 458	1 236	1 273
Computer Equipment		1 179	1 701	1 800		111	111	1 458	1 236	1 273
Furniture and Office Equipment		–	–	–	1 701	1 701	1 701	–	–	–
Furniture and Office Equipment					1 701	1 701	1 701			
Machinery and Equipment		–	–	–	–	–	–	1 000	–	–
Machinery and Equipment								1 000		
Transport Assets		1 871	1 194	1 210	1 194	1 194	1 194	4 391	–	–
Transport Assets		1 871	1 194	1 210	1 194	1 194	1 194	4 391		
Libraries		–	–	–	–	–	–	–	–	–
Libraries										
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals										
Total Repairs and Maintenance Expenditure	1	17 348	28 383	16 022	22 100	31 140	31 140	48 450	49 904	51 401
R&M as a % of PPE		*1,5%*	*2,2%*	*1,3%*	*1,8%*	*2,5%*	*2,5%*	*3,9%*	*3,8%*	*4,0%*
R&M as % Operating Expenditure		*2,2%*	*3,7%*	*2,0%*	*3,0%*	*3,9%*	*3,9%*	*6,0%*	*6,2%*	*6,1%*

18. Free Basic Services

Other figures pertaining to free basic services were presented under the revenue framework.

Council renders free basic services (FBS) to residents, and services grants based on certain conditions. FBS imply the service is rendered for free to all residents. It means a resident does not need to apply for the free service. The cost of FBS is regarded as "Income Forgone" and the cost is deducted from the income of the relevant service. In other words, it would have been income but Council opted not to charge residents for the service rendered. Various grants or rebates are allocated to residents based on their specific socio-economic circumstances. Such grants and rebates are only supplied if the terms and conditions are adhered to. As these grants or rebates are not applicable to all residents, it is not treated like FBS (and subsequently deducted from the income budget), but is recorded in the budget as a grant expenditure item in the expenditure of the budget.

NW383 Mafikeng - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Free services										
Cost of Free Basic Services provided	4 163	6 194	–	37 118	37 118	37 118	39 881	39 881	43 115	46 889
Revenue cost of free services provided	45 987	54 930	665	70 176	70 176	70 176	73 685	73 685	78 106	83 574
Households below minimum service level										
Water:	22	22	22	22	22	22	22	22	22	22
Sanitation/sewerage:	41	41	41	41	41	41	41	41	41	41
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	86	86	86	86	86	86	86	86	86	86

19. Capital Expenditure

19.1 The Capital Investment Framework (CIF) is a legislative requirement of the Municipal Systems Act, as per Section 4(e) of the Municipal Planning and Performance Management Regulations, 2001; and fulfils the function of a Capital Expenditure Framework as required in terms of Section 21(n) of the Spatial Planning and Land Use Management Act, 2013. The function of the CIF is spatially and strategically to influence, guide and prioritize the allocation of the municipal capital budget in a coordinated manner across all sectors.

19.2 The budget evaluation process is informed by the strategic priorities emanating from the IDP process and Mayoral Lekgotla.

Extract of table A5: Funding

NW383 Mafikeng - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funded by:											
National Government		62 316	59 184	89 343	62 288	62 288	62 288	62 288	60 004	61 230	64 624
Provincial Government		12 070	10 621	4 840	3 000	–	–	–			
District Municipality						–	–	–			
Other transfers and grants						–	–	–			
Transfers recognised - capital	4	74 386	69 805	94 183	65 288	62 288	62 288	62 288	60 004	61 230	64 624
Public contributions & donations	5					–	–	–			
Borrowing	6		128 378	31 932	56 640	56 640	56 640	56 640	56 640	18 120	
Internally generated funds		13 463	62 781		18 338	47 128	47 128	47 128	32 100	25 600	39 876
Total Capital Funding	7	87 850	260 964	126 115	140 266	166 056	166 056	166 056	148 744	104 950	104 500

19.3 The Capital Budget will be funded as follows:

- Municipal Infrastructure Grant funding to be used to fund social projects that will not necessarily generate revenue;
- External Loans to be used to fund economic infrastructure that will stimulate economic growth and job creation;
- Cash generated from revenue will be used to fund both movable and non-movable assets;

19.4 The capital programme is aligned to asset renewal needs and backlog eradication goals and 42.20% of the total capital amount will be utilised for asset renewals. Operational gains and efficiencies will be directed to funding the Capital Budget. Strict adherence to the principle of no project plans no budget, if there is no business plan, no funding allocation can be made.

19.5 Projects already approved and already commenced with that have to be completed during the 2018/19 to 2019/20 financial period were allocated funding as per the approved MTREF.

19.6 Projects previously approved in the 2016/17 to 2018/19 MTREF but not yet planned nor commenced with, were subjected to departmental project prioritisation taking changed priorities and service delivery pressures into account.

19.7 Projects were subjected to project prioritisation based on a capital prioritisation model that is informed by the Capital Investment Framework to be used in 2018/19 financial year (and beyond) budget preparation. The various categories in the project prioritisation model carry the following budget requests:

19.8 Impact of proposed projects on the operational budgets of future years was evaluated. It is not sustainable to construct facilities where there are not sufficient operating funds available to operationalize the facilities.

The following table provides a breakdown of budgeted capital expenditure by vote:

NW383 Mafikeng - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - COUNCIL GENERAL		1 881	5 587	2 328	–	2 546	2 546	2 546	15 000	5 600	9 500
Vote 2 - CORPORATE SUPPORT SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 3 - FINANCE SERVICES		84	250	325	–	2 671	2 671	2 671	–	–	–
Vote 4 - INFRASTRUCTURE		85 884	255 126	122 343	125 908	140 496	140 496	140 496	125 908	103 921	99 587
Vote 5 - PUBLIC SAFETY		–	–	–	1 000	6 626	6 626	6 626	1 000	–	–
Vote 6 - COMMUNITY SERVICES		–	–	1 119	13 358	13 517	13 517	13 517	13 358	37 108	65 825
Vote 7 - PLANNING AND DEVELOPMENT		–	–	–	–	200	200	200	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	87 850	260 964	126 115	140 266	166 056	166 056	166 056	155 266	146 629	174 912
Single-year expenditure *to be appropriated*	2										
Vote 1 - COUNCIL GENERAL		–	–	–	–	–	–	–	–	–	–
Vote 2 - CORPORATE SUPPORT SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 3 - FINANCE SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 4 - INFRASTRUCTURE		–	–	–	–	–	–	–	–	–	–
Vote 5 - PUBLIC SAFETY		–	–	–	–	–	–	–	–	–	–
Vote 6 - COMMUNITY SERVICES		–	–	–	–	–	–	–	–	–	–
Vote 7 - PLANNING AND DEVELOPMENT		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Vote		87 850	260 964	126 115	140 266	166 056	166 056	166 056	155 266	146 629	174 912

19.9 For 2018/19 an amount of R155 million has been appropriated for the development of infrastructure which represents 51.31% of the total Capital Budget. In the outer years, this amount totals R146 million, 51.88% and R174 million, 41.19% respectively for each of the financial years. Infrastructure development relates to roads and storm water, electricity, water and waste water management, and waste management.

19.10 Further detail relating to asset classes and proposed capital expenditure is contained in Table MBRR A9 (Asset Management) of Annexure B. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

Asset Management Breakdown (A9 Asset Management)

NW383 Mafikeng - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Total New Assets	1	87 850	260 964	–	140 266	166 056	166 056	145 460	146 629	147 596
Roads Infrastructure		–	51 052	–	62 678	67 640	67 640	6 938	54 601	42 047
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	–	–	10 000	16 126	16 126	19 340	20 000	30 000
Sanitation Infrastructure		–	–	–	2 000	4 000	4 000	2 000	–	–
Solid Waste Infrastructure		28 942	–	–	–	–	–	5 800	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		*28 942*	*51 052*	–	*74 678*	*87 766*	*87 766*	*34 078*	*74 601*	*72 047*
Community Facilities		1 104	18 473	–	64 588	71 873	71 873	91 282	72 028	75 548
Sport and Recreation Facilities		–	–	–	–	200	200	–	–	–
Community Assets		*1 104*	*18 473*	–	*64 588*	*72 073*	*72 073*	*91 282*	*72 028*	*75 548*
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		57 040	62 486	–	1 000	1 000	1 000	12 100	–	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		*57 040*	*62 486*	–	*1 000*	*1 000*	*1 000*	*12 100*	–	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	8 000	–	–
Intangible Assets		–	–	–	–	–	–	*8 000*	–	–
Computer Equipment		550	550	–	–	–	–	–	–	–
Furniture and Office Equipment		154	128 402	–	–	5 217	5 217	–	–	–
Machinery and Equipment		59	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	–	–	–	–	–	–	11 138	41 910	33 410
Roads Infrastructure		–	–	–	–	–	–	8 281	10 410	15 210
Storm water Infrastructure		–	–	–	–	–	–	1 657	28 000	15 400
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	*9 938*	*38 410*	*30 610*
Community Facilities		–	–	–	–	–	–	–	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	–	–	–	–	–	–	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	1 200	3 500	2 800
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	*1 200*	*3 500*	*2 800*
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–

NW383 Mafikeng - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Total Upgrading of Existing Assets	6	–	–	–	–	–	–	39 669	18 900	17 300
Roads Infrastructure		–	–	–	–	–	–	12 432	12 100	14 200
Storm water Infrastructure		–	–	–	–	–	–	1 500	2 500	2 100
Electrical Infrastructure		–	–	–	–	–	–	3 600	1 500	1 000
Water Supply Infrastructure		–	–	–	–	–	–	–	–	–
Sanitation Infrastructure		–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	*17 532*	*16 100*	*17 300*
Community Facilities		–	–	–	–	–	–	13 687	–	–
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		–	–	–	–	–	–	*13 687*	–	–
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	3 450	2 800	–
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	*3 450*	*2 800*	–
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	5 000	–	–
Intangible Assets		–	–	–	–	–	–	*5 000*	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	–	–	–
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
Total Capital Expenditure	4									
Roads Infrastructure		–	51 052	–	62 678	67 640	67 640	27 651	77 111	71 457
Storm water Infrastructure		–	–	–	–	–	–	3 157	30 500	17 500
Electrical Infrastructure		–	–	–	–	–	–	3 600	1 500	1 000
Water Supply Infrastructure		–	–	–	10 000	16 126	16 126	19 340	20 000	30 000
Sanitation Infrastructure		–	–	–	2 000	4 000	4 000	2 000	–	–
Solid Waste Infrastructure		28 942	–	–	–	–	–	5 800	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		*28 942*	*51 052*	–	*74 678*	*87 766*	*87 766*	*61 548*	*129 111*	*119 957*
Community Facilities		1 104	18 473	–	64 588	71 873	71 873	104 970	72 028	75 548
Sport and Recreation Facilities		–	–	–	–	200	200	–	–	–
Community Assets		*1 104*	*18 473*	–	*64 588*	*72 073*	*72 073*	*104 970*	*72 028*	*75 548*
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		57 040	62 486	–	1 000	1 000	1 000	16 750	6 300	2 800
Housing		–	–	–	–	–	–	–	–	–

NW383 Mafikeng - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Other Assets		*57 040*	*62 486*	–	*1 000*	*1 000*	*1 000*	*16 750*	*6 300*	*2 800*
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	13 000	–	–
Intangible Assets		–	–	–	–	–	–	*13 000*	–	–
Computer Equipment		550	550	–	–	–	–	–	–	–
Furniture and Office Equipment		154	128 402	–	–	5 217	5 217	–	–	–
Machinery and Equipment		59	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	–	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class		87 850	260 964	–	140 266	166 056	166 056	196 268	207 439	198 306
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Roads Infrastructure		858 779	836 919		1 564 887	1 564 887	1 564 887	642 328	648 751	655 239
Storm water Infrastructure								13 311	13 444	13 578
Electrical Infrastructure		70 182	74 384		110 891	110 891	110 891	72 649	73 376	74 110
Water Supply Infrastructure								–	–	–
Sanitation Infrastructure								–	–	–
Solid Waste Infrastructure					30 774	30 774	30 774	25 560	25 815	26 073
Rail Infrastructure										
Coastal Infrastructure										
Information and Communication Infrastructure										
Infrastructure		*928 960*	*911 302*	–	*1 706 552*	*1 706 552*	*1 706 552*	*753 848*	*761 386*	*769 000*
Community Facilities		49 456	54 867		93 400	93 400	93 400	43 823	44 261	44 703
Sport and Recreation Facilities		9 330	8 335		21 612	21 612	21 612			
Community Assets		*58 786*	*63 202*	–	*115 012*	*115 012*	*115 012*	*43 823*	*44 261*	*44 703*
Heritage Assets										
Revenue Generating		1 151 496	1 243 603							
Non-revenue Generating										
Investment properties		*1 151 496*	*1 243 603*	–	–	–	–	–	–	–
Operational Buildings		73 661	66 815		123 664	123 664	123 664	33 230	33 562	33 898
Housing								434 429	438 774	443 161
Other Assets		*73 661*	*66 815*	–	*123 664*	*123 664*	*123 664*	*467 659*	*472 336*	*477 059*
Biological or Cultivated Assets										
Servitudes										
Licences and Rights		2 400	1 835							
Intangible Assets		*2 400*	*1 835*	–	–	–	–	–	–	–
Computer Equipment		930	1 030		3 459	3 459	3 459	1 144	1 155	1 167
Furniture and Office Equipment		2 353	125 371		8 420	8 420	8 420	59	60	60
Machinery and Equipment		2 024	1 653		111	111	111	1 308	1 321	1 334
Transport Assets		14 151	10 698		30 431	30 431	30 431	7 037	7 107	7 179
Libraries										
Zoo's, Marine and Non-biological Animals										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	2 234 763	2 425 509	–	1 987 649	1 987 649	1 987 649	1 274 877	1 287 626	1 300 503
EXPENDITURE OTHER ITEMS										
Depreciation	7	88 582	90 004	79 053	94 248	94 248	94 248	100 515	104 536	109 649
Repairs and Maintenance by Asset Class	3	17 348	28 383	16 022	22 100	31 140	31 140	48 450	49 904	51 401
Roads Infrastructure		(3 315)	6 236	6 862	6 236	15 136	15 136	10 161	10 043	10 344
Storm water Infrastructure		–	–	–	–	–	–	1 150	9 270	9 548
Electrical Infrastructure		–	–	–	–	–	–	1 425	–	–
Water Supply Infrastructure		–	–	–	9 721	9 721	9 721	5 191	1 442	1 485
Sanitation Infrastructure		–	–	–	–	–	–	3 662	3 605	3 713
Solid Waste Infrastructure		–	–	–	–	–	–	8 000	8 240	8 487
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		*(3 315)*	*6 236*	*6 862*	*15 957*	*24 857*	*24 857*	*29 589*	*32 600*	*33 577*
Community Facilities		7 800	13 136	1 200	–	–	–	6 132	5 459	5 623
Sport and Recreation Facilities		–	–	–	–	–	–	–	–	–
Community Assets		*7 800*	*13 136*	*1 200*	–	–	–	*6 132*	*5 459*	*5 623*
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–

NW383 Mafikeng - Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		9 814	4 953	3 650	3 247	3 247	3 247	5 205	8 755	9 018
Housing		–	1 162	1 300	–	29	29	99	1 854	1 910
Other Assets		*9 814*	*6 115*	*4 950*	*3 247*	*3 277*	*3 277*	*5 304*	*10 609*	*10 927*
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	577	–	–
Intangible Assets		–	–	–	–	–	–	577	–	–
Computer Equipment		1 179	1 701	1 800	–	111	111	1 458	1 236	1 273
Furniture and Office Equipment		–	–	–	1 701	1 701	1 701	–	–	–
Machinery and Equipment		–	–	–	–	–	–	1 000	–	–
Transport Assets		1 871	1 194	1 210	1 194	1 194	1 194	4 391	–	–
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
TOTAL EXPENDITURE OTHER ITEMS		105 930	118 387	95 075	116 348	125 389	125 389	148 965	154 439	161 050
Renewal and upgrading of Existing Assets as % of total capex		*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*25,9%*	*29,3%*	*25,6%*
Renewal and upgrading of Existing Assets as % of deprecn		*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*50,5%*	*58,2%*	*46,2%*
R&M as a % of PPE		*1,5%*	*2,2%*	*1,3%*	*1,8%*	*2,5%*	*2,5%*	*3,7%*	*3,9%*	*4,1%*
Renewal and upgrading and R&M as a % of PPE		*1,0%*	*1,0%*	*0,0%*	*1,0%*	*2,0%*	*2,0%*	*8,0%*	*9,0%*	*8,0%*

19.11 Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

19.12 National Treasury has recommended that municipalities should allocate at least 40% of their Capital Budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE.

19.13 The repairs and maintenance is not met due to the Municipality having revalued its assets with the first time adoption of GRAP 17 and asset values are currently high in relation to other municipalities.

19.14 The percentage is increase slightly from the current 6.1% in 2017/18 to 6.7% in 2018/19. Though the target is not met, Council is gradually increasing the R&M budget to meet the target.

20. Operating Budget

20.1 The Finance Department renders a financial service to the municipality and Council. It therefore has to secure sound and sustainable management of the fiscal and financial affairs of the municipality; and ensure transparent, accountable and appropriate lines of responsibility in the fiscal and financial affairs of the municipality and its entities.

20.2 The department manages the borrowing, investments, supply chain management, revenue, expenditure, assets and liabilities of the municipality and therefore has to draw up the budgets and

ensure that financial planning processes are followed and complied with in terms of legislation and other regulations and to coordinate these not only within the municipality but also with other organs of state in the different spheres of government. The Operating Budget will enable the department to perform the above functions and duties and many other functions that it would be expected to be perform.

20.3 The Finance Department's budget includes the full income for the assessment rates, regardless of the utilisation of the rates. The cost centre shows a surplus, but it is not technically a surplus generating function.

NW383 Mafikeng - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	142 190	173 379	182 201	216 981	284 850	284 850	284 850	293 396	308 066	326 549
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	80 029	98 470	107 301	119 106	163 074	163 074	163 074	179 382	197 320	217 052
Service charges - sanitation revenue	2	24 012	26 652	30 725	39 962	41 136	41 136	41 136	43 604	46 220	48 994
Service charges - refuse revenue	2	29 236	32 001	31 813	31 854	36 132	36 132	36 132	38 299	40 597	43 033
Service charges - other					5 954	5 954	5 954	5 954	6 312	6 753	7 294
Rental of facilities and equipment		1 059	5 254	5 899	10 320	10 320	10 320	10 320	11 352	12 487	13 736
Interest earned - external investments		1 783	1 671	1 052	1 878	2 648	2 648	2 648	2 807	2 975	3 154
Interest earned - outstanding debtors		41 624	52 228	73 157	65 808	66 182	66 182	66 182	70 153	74 362	78 823
Dividends received					–	–	–	–	–	–	–
Fines, penalties and forfeits		22 997	7 166	3 652	9 437	9 472	9 472	9 472	10 041	10 643	11 282
Licences and permits		4 537	3 831	3 049	3 694	3 904	3 904	3 904	4 139	4 387	4 650
Agency services					–	–	–	–	–	–	–
Transfers and subsidies		132 827	215 561	185 837	234 345	228 271	228 271	228 271	241 728	260 813	283 666
Other revenue	2	51 867	18 753	23 521	14 790	15 083	15 083	15 083	15 988	16 947	17 964
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		532 161	634 966	648 206	754 129	867 027	867 027	867 027	917 200	981 571	1 056 197
Expenditure By Type											
Employee related costs	2	200 299	243 880	267 959	249 345	249 345	249 345	249 345	266 800	285 476	305 458
Remuneration of councillors		19 340	22 156	18 813	22 591	25 048	25 048	25 048	26 301	27 616	28 997
Debt impairment	3	158 100	156 157	183 271	136 357	136 357	136 357	136 357	143 175	151 765	175 458
Depreciation & asset impairment	2	163 275	100 731	79 069	97 588	97 588	97 588	97 588	100 515	104 536	109 649
Finance charges		6 764	9 686	21 240	2 507	3 631	3 631	3 631	3 958	4 116	4 116
Bulk purchases	2	78 557	65 682	85 270	77 558	77 558	77 558	77 558	83 374	88 987	89 796
Other materials	8	17 348	28 383	16 022	3 100	5 820	5 820	5 820	3 100	4 500	5 250
Contracted services		23 724	31 581	23 629	44 759	83 713	83 713	83 713	44 759	46 996	49 346
Transfers and subsidies		–	–	–	–	1 926	1 926	1 926	1 000	1 000	1 000
Other expenditure	4, 5	112 694	109 153	123 959	90 968	125 053	125 053	125 053	128 805	130 093	132 695
Loss on disposal of PPE		593	314	99							
Total Expenditure		780 694	767 723	819 331	724 771	806 038	806 038	806 038	801 787	845 085	901 764
Surplus/(Deficit)		(248 533)	(132 756)	(171 125)	29 358	60 989	60 989	60 989	115 413	136 486	154 433
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		61 310	74 386	94 183	65 288	62 288	62 288	62 288	60 004	61 230	64 624
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		(187 223)	(58 370)	(76 941)	94 646	123 277	123 277	123 277	175 417	197 716	219 057
Taxation											
Surplus/(Deficit) after taxation		(187 223)	(58 370)	(76 941)	94 646	123 277	123 277	123 277	175 417	197 716	219 057
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(187 223)	(58 370)	(76 941)	94 646	123 277	123 277	123 277	175 417	197 716	219 057
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(187 223)	(58 370)	(76 941)	94 646	123 277	123 277	123 277	175 417	197 716	219 057

BUDGET TABLES

TABLE A1 – BUDGET SUMMARY

TABLE A2 – BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY FUNCTIONAL CLASSIFICATION)

TABLE A2A – BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY FUNCTIONAL CLASSIFICATION)

TABLE A3 – BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTES)

TABLE A3A – BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTES)

TABLE A4 – BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)

TABLE A5 – BUDGETED CAPITAL EXPENDITURE BY VOTE, FUNCTIONAL CLASSIFICATION AND FUNDING

TABLE A5A – BUDGETED CAPITAL EXPENDITURE BY VOTE, FUNCTIONAL CLASSIFICATION AND FUNDING

TABLE A6 – BUDGETED FINANCIAL POSITION

TABLE A7 – BUDGETED CASH FLOW

TABLE A8 – CASH BACKED RESERVES/ACCUMULATED RESERVES RECONCILIATION

TABLE A9 – ASSET MANAGEMENT

TABLE A10 – BASIC SERVICE DELIVERY MEASUREMENT